



M E K E T A I N V E S T M E N T G R O U P

B O S T O N

S A N D I E G O

May 24, 2011

Mr. JJ Jelincic
Chair, Investment Policy Subcommittee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

RE: ROLE OF PRIVATE ASSET CLASS BOARD INVESTMENT CONSULTANTS

Dear Mr. Jelincic:

As Infrastructure Consultant to the Board, Meketa Investment Group was asked to provide an opinion on Staff's recommendation to adopt the Policy for the Role of Private Asset Class Board Investment Consultants. We have reviewed the revisions made to the draft Policy presented at the April 2011 Policy Subcommittee meeting.

As noted in responses to earlier versions of the proposed Policy, Meketa Investment Group supports the Board's objective of clarifying the role of Private Asset Class Board Investment Consultants as a means of effectively managing both potential conflicts and costs associated with the use of consultants at CalPERS.

In general, we agree with Staff's recommendation to clarify the roles of private asset class consultants through the adoption of the proposed Policy. We note two areas of the proposed Policy that might benefit from additional consideration. First, the latest version of the Policy includes a provision whereby a Private Asset Class Board Investment Consultant may be engaged by Staff for projects if they possess "unique knowledge or expertise that is not available through other providers" (Section III.B.4.d). We recommend that additional criteria be considered when evaluating the use of Private Asset Class Board Investment Consultants compared to other providers, such as the cost of such services and the overall value added to CalPERS. Second, this provision requires Investment Committee approval prior to engagement of the Private Asset Class Board Investment Consultant. While we understand the intent of this requirement, gaining full Committee approval prior to engagement may not always be practicable, due to timing issues or other constraints.

Please do not hesitate to contact us with any questions or comments.

Sincerely,

David Altshuler
Senior Vice President

Stephen P. McCourt
Managing Principal